

Message Text

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ACTION SS-14

INFO OCT-01 ISO-00 EA-06 NSCE-00 SP-02 OMB-01 TRSE-00

EB-04 INR-05 INRE-00 CIAE-00 L-01 SSO-00 /034 W

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC IMMEDIATE 4655

C O N F I D E N T I A L SECTION 1 OF 2 MANILA 13900

LIMDIS

FOR UNDER SECRETARY COOPER

E.O. 11652: GDS

TAGS: ASEAN, E

SUBJECT: US/ASSEAN ECONOMIC CONSULTATIONS

1. I HAVE DISCUSSED YOUR FORTHCOMING VISIT IN THE PHILIPPINES WITH PRESIDENT MARCOS, FOREIGN SECRETARY ROMULO, FINANCE SECRETARY VIRATA, INDUSTRIES SECRETARY PATERNO AND DIRECTOR FOR NATIONAL ECONOMIC DEVELOPMENT SICAT. THEY ARE VERY PLEASED, AS ARE WE, THAT YOU HAVE BEEN ABLE TO SCHEDULE SUFFICIENT TIME FOR ASEAN CONSULTATIONS, BILATERALS, SEEING AROUND, AND GETTING ACQUAINTED. LATTER CONSIDERATION IS VERY IMPORTANT FOR FILIPINOS IN GENERAL AND MARCOS IN PARTICULAR, WHO ANXIOUSLY SEEKS TO ESTABLISH PERSONAL RELATIONSHIPS WITH CARTER ADMINISTRATION. ALSO, MARCOS PERCEIVES INCREASINGLY ECONOMIC, COMMERCIAL, AND DEVELOPMENT FOCUS OF U.S. POLICY AND PRESENCE IN EAST ASIA AND LOOKS FORWARD TO TAKING THE MEASURE OF THOSE ACTIVELY ENGAGED ON OUR SIDE.

2. AS TO THE US/ASEAN CONSULTATIONS, THE U.S. ENTERS THESE A SOUGHT AFTER, EVEN WOOED, BANKER, CUSTOMER, INVESTOR AND FRIEND. ASEAN EXPECTATIONS SUBSTANTIALLY EXCEED TEA AND SYMPATHY, AND OUR RESPONSES WILL SIGNI-
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CANTLY INFLUENCE OUR FUTURE IN THE REGION. ON THE THRESHOLD OF DIALOGUE, WE MIGHT PAUSE TO REVIEW COMPLEMENTARITY IN VIEWS. BOTH SIDES ENTER THE DISCUSSIONS WITH A NUMBER OF UNSPOKEN GOALS. AS WE SEE IT, THE DIALOGUE SHOULD (A) REFLECT OUR INTENT TO REMAIN AN ASIAN POWER AND PLAY A SUBSTANTIAL ROLE WITHIN THE REGION; (B) EDUCATE AND PERSUADE MODERATES TO WORK WITH US ON NORTH-SOUTH ISSUES;

(C) REAFFIRM OUR INTEREST IN RATIONAL RESPONSES TO REGIONAL DEVELOPMENT IMPERATIVES, TO WHICH WE COULD RELATE AND CONTRIBUTE; (D) INDICATE THAT OUR RELATIONS WITH ASEAN REMAIN ECONOMIC NOT MILITARY, OPEN-ENDED NOT SPHERE-OF-INFLUENCE, PARTNERSHIP NOT DONOR/RECIPIENT. IN SHORT, OURS IS A POLICY IN SEARCH OF A FORUM, AND ASEAN MIGHT JUST BE ONE SUCH--APPARENTLY READY, POSSIBLY WILLING AND PERHAPS ABLE.

3. ASEAN HAS ITS OWN AIMS, PRINCIPAL AMONG WHICH IS TO ALLEVIATE THE SLOW AND PAINFUL PROCESS OF REGIONALIZING VESTED NATIONAL INTERESTS, BY ENCOURAGING DEVELOPED COUNTRIES TO FURNISH MATERIAL AND MORAL SUPPORT FOR THEIR DEVELOPMENT. IN PARTICULAR, ASEAN PROBABLY EXPECTS: (A) BETTER ACCESS TO THE U.S. MARKET AND MORE PRIVATE U.S. INVESTMENTS (DESPITE OUR "NEITHER ENCOURAGE NOR DISCOURAGE.." POSTURE); (B) PROSPECTIVE ASSISTANCE OR COOPERATION IN DEVELOPMENT; AND (C) SUPPORT FOR ASEAN INDUSTRIAL PROJECTS OR AT LEAST THE PROMISE OF CONCESSIONARY LOANS. THEY EXPECT TO USE THE TALKS TO INFORM AND EDUCATE US ON THE MEANING AND URGENCY OF THEIR CONCERNS. BEYOND THAT, MARCOS AT LEAST MAY HOPE TO USE THE ASEAN GATHERING TO ENHANCE HIS PERSONAL PRESTIGE. ALSO, TIMING OF TALKS MAY HEIGHTEN ASEAN EXPECTATIONS SINCE THE DIALOGUE WITH OTHER DEVELOPED COUNTRIES IS RELATIVELY ADVANCED, WHILE THE PACE OF CONCRETE INTRA-ASEAN DEVELOPMENTS APPEARS TO BE LAGGING.
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4. A REVIEW OF THE PROVISIONAL AGENDA INDICATES THAT THE ASEAN APPROACH WILL BE SPECIFIC AND OPERATIONAL IN CONTRAST TO OUR GENERAL AND EXPLANATORY STANCE. FOR EXAMPLE, ITEM 10, APPARENTLY INSPIRED BY THE PHILIPPINES, IS DESIGNED TO EXPLORE THE U.S. CONTRIBUTION TO THE ADB AND THE EXISTENCE OF OPIC, AND WE ALREADY HAVE BEEN HIT CONCERNING THE U.S. TAX DEFERRAL QUESTION (ITEM 7A). ASEAN MOTIVATION APPARENTLY IS TO STIFFEN AND ASSIST THE CARTER ADMINISTRATION IN ITS DIALOGUE WITH THE CONGRESS. ASEAN ALSO WILL INFORM US OF THEIR INVESTMENT OPPORTUNITIES (ITEM 7), THEIR INDUSTRIALIZATION PROGRAM (ITEM 8A), THEIR NEED FOR TECHNICAL AND SCIENTIFIC COOPERATION (ITEM 8B), AND THEIR PREFERENTIAL TRADING ARRANGEMENTS (ITEM 9D). ON THE WHOLE, THEY WILL BE ASKING FOR FAVORS.

5. REGARDING ACCESS TO THE U.S. MARKET (ITEM 9), THEY WANT TO ENLARGE THE GSP LIST TO INCLUDE MORE ASEAN PRODUCTS AND TO LIBERALIZE COMPETITIVE NEED PROVISIONS. SIMILARLY, THEY WOULD LIKE US TO EXPAND TROPICAL PRODUCTS AND OTHER OFFER LISTS IN THE MTN. IN EFFECT, THEY HOPE FOR MORE THAN EQUAL TREATMENT. ALSO ASEAN HAS ADOPTED THE U.S. POSITION FOR AN EXTENSION OF THE MFA. ASEAN
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APPARENTLY PERCEIVES THE U.S. AS THE MAJOR FREE TRADE COUNTRY AND WELCOMES OUR ASSISTANCE IN THE FACE OF EC, CANADIAN AND AUSTRALIAN TRADE RESTRICTIONS (PARTICULARLY TEXTILE APPAREL).

6. REGARDING NORTH/SOUTH ISSUES, WE BELIEVE ASEAN COULD HARDLY GIVE UP G-77 POSITIONS WITHOUT COMPROMISING ITS CREDENTIALS. HOWEVER, COMMODITIES OFFER A PROMISING AREA FOR COOPERATION, AND IT WILL HELP IF WE MEET SOME BASIC ASEAN NEEDS AND TREAT OTHERS WITH SYMPATHY AND UNDERSTANDING. BUT SYMPATHY AND UNDERSTANDING WITHOUT CONCRETE BENEFITS WILL NOT SUFFICE.

7. THE ASEAN PLAYERS WILL BE ARTICULATE AND IMPRESSIVE WITH THE PHILIPPINE DELEGATION PARTICULARLY SO IN ITS HOME GROUND. YOUR COUNTERPART, GENERAL ROMULO, CAN BE CHARMING AND WITTY WHEN HE WISHES; HE ALSO CAN BE TESTY. WHEN ROMULO DOES HIS HOMEWORK, HE CAN BE FORMIDABLE. HE WILL BE RELATIVELY WELL PREPARED THIS TIME, SINCE GOP CONSIDERS THESE TALKS THE BEGINNING OF A NEW PROCESS OF NEGOTIATION AND COOPERATION WITH ASEAN'S LARGEST TRADING, AIDING,

INVESTING PARTNER. THE RECIPTE FOR GETTING ALONG WITH ROMULO COMBINES EQUAL PARTS ACKNOWLEDGMENT OF SOVEREIGN EQUALITY, AWARENESS OF PHILIPPINE CULTURE, AND RESPECT FOR PHILIPPINE IDENTIFY (NATIONAL AND INDIVIDUAL). VIRATA IS PRECISE, THOUGHTFUL AND CAUTIOUS. SICAT IS AN OUTSPOKEN NATIONALIST. TANCO IS ENTHUSIASTIC AND FORCEFUL. PATERNO UNDERSTANDS THE MULTINATIONS. THE FOREIGN OFFICE TEAM WILL BE UNCHACTERISTICALLY ABLE: (AMBASSADORS ARMANDO AND ROSARIO (MRS.) MANALO, SUAREZ,AND VEGA). A CAVAET: MRS. MANALO AND AMBASSADOR VEGA ARE INCLUDING TO FREE WHEEL AND TAKE LIBERTIES WITH WORDS, YOURS AND THEIRS. TRADE (QUIAZON) WILL BE WEAK.
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8. THE STAGE WILL BE THE MAGNIFICIENT PHILIPPINE INTERNATIONAL CONVENTION CENTER (PICC), BUILT IN A HURRY AT AN ESTIMATED COST OF \$108 MILLION OR MORE TO ACCOMMODATE THE IMF/IBRD MEETING IN 1976. LAVISH, UNDER-UTILIZED, OWNED AND OPERATED BY THE CENTRAL BANK, THE PICC SYMBOLIZES THE DREAMS AND FOLLIES OF LEADERSHIP IN THIS AREA, GROPING WITH UNDER-DEVELOPMENT AND SCARCE RESOURCES. THE CONVENTION CENTER ALSO EPITOMIZES THE HOSPITALITY AND GRACE WITH WHICH VISITORS ARE RECEIVED IN THIS PART OF THE WORLD.

9. BETSY AND I LOOK FORWARD TO PUTTING YOU UP. JERRY SICAT SAYS TO BRING YOUR TENNIS RACKET.
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